

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Angie Grove, Deputy Legislative Auditor

DATE: December 2008

CC: Bruce Nelson, Chief of Staff, Governor's Office
Sheena Wilson, Deputy Chief of Staff, Governor's Office
Janet R. Kelly, Director, Department of Administration
Dick Clark, CIO, Information Technology Services Division

RE: Performance Audit Follow-up (07SP-03): Examination of the Delivery of eGovernment Services, Department of Administration (orig. 06P-08)

ATTACHMENTS: Original Performance Audit Summary
DOA's Management Action Plan for eGovernment Services Audit

INTRODUCTION

In June 2006, we presented our performance audit of the Examination of the Delivery of eGovernment Services. The audit made two recommendations to the Department of Administration (DOA) and two recommendations to the Governor. The Governor's Office delegated audit recommendation implementation to DOA. In October 2007, we began gathering information from the department on their progress in implementing the recommendations. This memo summarizes the results of our follow-up work in addition to presenting background information on the program.

Overview

One audit recommendation focused on strengthening management controls over provision of eGovernment services (e-services) in several areas. We also recommended development of an e-services project risk management plan, requiring agencies to report more detailed information on the impacts of e-services on agency resources to the legislature, and development of a business case analysis regarding the state's options for providing future e-services. The Department of Administration has taken varying degrees of action on each of the four recommendations in the performance audit.

BACKGROUND

Montana's primary method for developing and maintaining e-services is through a self-funded contract with a third-party contractor. The contract is administered by DOA. Audit work focused on state e-services from 2001 to 2006. Montana Interactive (MI) has provided services for development, implementation, and maintenance of state e-services since 2001. Approximately \$135 million were

processed through Montana's e-services provided by MI in 2005. A few examples of Montana's e-services are the Department of Corrections' Correctional Offenders Network, the Department of Revenue's Income Tax Express, and the Department of Fish, Wildlife and Parks Online Licensing System.

FOLLOW-UP AUDIT FINDINGS

The department developed a management action plan that ties actions it has or will implement to each audit recommendation. The report contained four recommendations, two to the department and two to the Governor's Office. The management action plan addresses all four recommendations. The plan also lists a target completion date for all actions. Currently, the majority of recommendation actions are listed as implemented or being implemented. The following sections summarize our assessment of implementation status for each recommendation.

Recommendation #1

We recommend DOA enhance management controls over the provision of e-services by:

- A. Increasing monitoring of e-services revenue activities.**
- B. Standardizing the revenue remittance frequency to the State Treasury for all affected agencies.**
- C. Obtaining assurance contractor financial and information system internal controls are in place.**
- D. Providing comprehensive guidance to agencies through state policy regarding e-service operations, specifically in areas such as proper recording of e-service expenditures.**

Implementation Status –Implemented

The department revised the Montana Operations Manual Vol. II, sections 2-1190.30 to 1190.33, to provide additional guidance to agencies in the areas of increased monitoring of e-services revenue activities, standardized revenue remittance frequency to the State Treasury, and proper recording of e-service expenditures. The department also reviewed MI financial and information system internal control policies and procedures to obtain assurance the contractor's internal controls are in place and now requires detailed monthly income statements from MI using a financial statement format developed by DOA's Administrative Financial Services Division. Additionally, 2007 legislation clarified requirements for deposit of money received by state agencies or on behalf of state agencies by a third party, provided a process for a state agency to propose and receive approval for a special deposit schedule for money collected, and amended other applicable sections of statute.

Based on review of DOA's actions relative to this recommendation, parts A, B, and D of the recommendation have been fully implemented and part C has been partially implemented. Financial controls assurance was obtained by outside auditing entities conducting routine financial audits (2004-most current audit), changes to Montana law and operating procedures mentioned previously, and increased reporting requirements of MI income activities on a monthly basis. As far as information system controls, DOA reviewed the written policies and procedures of MI, but could obtain additional assurance that MI's internal controls relative to its information systems decreases the risk of improper handling of state revenues collected annually through this contractual arrangement by testing controls.

Recommendation #2

We recommend DOA develop a formal eGovernment services project risk management plan that incorporates elements of both contingency and business continuity plans.

Implementation Status –Implemented

The Service Continuity Bureau of DOA is implementing this recommendation. Implementation involves the department updating its existing contingency and business continuity plans to specifically address e-services. The completion date for this task was June 30, 2008.

Recommendation #3

We recommend the Governor require agencies to report more detailed analysis of eGovernment services impacts on agency resources to the Legislature.

Implementation Status – Being Implemented

A subcommittee made up of members from the Electronic Government Advisory Council and the Governor's Office developed reporting requirements for agencies regarding e-services. The subcommittee submitted a report to the Governor outlining agency reporting requirements relative to e-services and a report template. Agencies were required to use the new reporting template and submit reports to DOA by October 1, 2008.

Recommendation #4

We recommend the Governor initiate the development of a business case analysis regarding the state's options for providing future eGovernment services.

Implementation Status – Partially Implemented

A subcommittee comprised of members from the Electronic Government Advisory Council, MI, key staff of Executive Branch agencies with e-services, and the Governor's Office prepared a business case analysis for future e-services. The business case analysis was completed and a report was submitted to the Governor in June 2007. The business case analysis conducted by the subcommittee is a general overview of provision alternatives, the subcommittee's recommendations for ongoing initiation and utilization of e-services, and funding of e-services. As noted in Recommendation #3, this information was not to be available until after October 1, 2008; therefore, the current business case analysis does not take into account the impact the current contractual arrangement with MI has on agency resources. As a result, the status of this recommendation is partially implemented. An amended business case analysis should be completed taking into account information about the impacts on agency resources resulting from this contractual arrangement. It should also include a cost-benefit analysis based on the quantified results reported by agencies in order for this recommendation to be considered fully implemented. We believe this component of the business case analysis is essential for determining the cost-effectiveness of the contractual arrangement with MI for the provision of e-services.